

Message Text

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17

ACTION EB-07

INFO OCT-01 EA-07 IO-13 ISO-00 AGRE-00 CEA-01 CIAE-00
COME-00 DODE-00 FRB-03 H-01 INR-07 INT-05 L-03 LAB-04
NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15 STR-04
ITC-01 TRSE-00 USIA-06 PRS-01 SP-02 OMB-01 FEA-01
STRE-00 /095 W

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R 080650Z DEC 76

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC 4053

INFO USMISSION US EC BRUSSELS

USMISSION MTN GENEVA

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DEPT PASS TO ALL EC CAPS

PASS STR ELECTRONICALLY FOR AMBASSADOR DENT

E.O. 11652: N/A

TAGS: ETRD, JA, EC

SUBJECT: JAPANESE VIEW OF EC-JAPAN TRADE TALKS

1. SUMMARY: IN US-JAPAN CONSULTATIONS, U.S. EXPRESSED CONCERN OVER POSSIBLE TRADE EFFECTS OF JAPAN-EC TRADE PACKAGE AND REQUESTED MORE INFORMATION. JAPANESE SOUGHT TO ASSURE US THAT EC-JAPAN DISCUSSIONS WOULD NOT BE INJURIOUS TO U.S. TRADE INTERESTS, AND EXPRESSED WILLINGNESS TO CLARIFY YOSHINO-GUNDELACH LETTER IN OECD IF REQUESTED. END SUMMARY.

2. U.S. (WOLFF) ASKED JAPANESE FOR DETAILS OF EC-JAPAN "PACKAGE" ON TRADE, INDICATING THAT U.S. INTEREST WAS PREDICATED ON OUR CONCERN THAT BILATERAL UNDERSTANDING MIGHT HAVE HARMFUL SIDE EFFECTS. U.S. MAIN INTERESTS, WOLFF ADDED, WERE TO PROTECT SHORT-TERM U.S. TRADING INTERESTS AND TO MAINTAIN AN OPEN TRADING SYSTEM OVER THE LONG RUN. WOLFF STRESSED THAT IN THESE TALKS U.S. WAS SEEKING INFORMATION AND NOT VOLUNTARY RESTRAINTS ON JAPANESE EXPORTS TO THE U.S. WE HAVE NOTED APPARENT OVERREACTION IN EUROPEAN PRESS AND IN EC CAPITALS

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AND BELIEVE THAT BETTER INFORMATION ON DETAILS OF JAPAN-

EC TALKS WOULD HELP US TO AVOID SIMILAR REACTIONS IN US. MORE INFORMATION, WOLFF CONCLUDED, WOULD HELP US TO DEAL WITH PERCEPTIONS IN THE U.S. AND WITH THE POSSIBLE IMPAIRMENT OF THE OECD TRADE PLEDGE.

3. JAPAN (KAKU, DIRECTOR, 1ST INTERNATIONAL ECONOMIC AFFAIRS DIVISION, MFA) SOUGHT TO ALLAY U.S. CONCERNS BY ASSURING US THAT YOSHINO-GUNDELACH LETTER IS ONLY UNDERSTANDING THAT EXISTS AND THAT THERE ARE NO HIDDEN ARRANGEMENTS BEHIND THE LETTER. KAKU SAID THAT JAPAN SHARED U.S. APPREHENSION AND THAT PRESS ACCOUNTS OF EC-JAPAN TALKS WERE WRITTEN IN AN ENVIRONMENT THAT LED TO OVERREACTION. HE EMPHASIZED THAT GOJ HAD MADE NO COMMITMENTS TO EC FOR EXPORT RESTRAINTS AND THAT JAPANESE IMPORT LIBERALIZATION MEASURES WOULD BE TAKEN ON AN MFN BASIS.

4. WOLFF THEN ASKED JAPANESE HOW ELEMENTS CONTAINED IN LETTER MIGHT BE IMPLEMENTED, INDICATING THAT EVEN MFN ACTIONS COULD BE DESIGNED IN A MANNER THAT LIMITS BENEFITS TO SELECTED TRADING PARTNERS.

5. JAPANESE REPLIED THAT SKIM MILK QUOTAS WOULD BE NON-DISCRIMINATORY AND, IN RESPONSE TO U.S. QUESTION, THAT NO FURTHER INCREASE IN QUOTA IS CURRENTLY CONTEMPLATED. ANY FUTURE DISCUSSION WOULD DEPEND UPON FUTURE DEMAND AND SUPPLY SITUATION. WITH RESPECT TO HYGENIC REGULATIONS ON CANNED MEAT, THE JAPANESE MINIMIZED IMPORTANCE OF JAPANESE ACTION, CALLING IT "TECHNICAL" MATTER STEMMING FROM PREVIOUS EMBARGO DUE TO EXISTENCE OF HOOF-AND-MOUTH DISEASE IN FRANCE. JAPANESE ARE MERELY AIDING FRANCE TO MEET EXISTING SANITARY REGULATIONS. CONCERNING CIGARETTES, JAPANESE SAID THAT LIBERALIZATION WAS PRIMARILY MATTER OF INCREASING NUMBER OF CIGARETTE BRANDS THAT COULD BE IMPORTED FREELY INTO BONDED WAREHOUSES, AND THAT GOJ HAD NOT YET DECIDED WHICH BRANDS SHOULD BE ADDED (THERE ARE CURRENTLY 13 U.S. AND 4 UK BRANDS ON THE LIST).

6. KAKU ASSURED US THAT NO UNDERSTANDINGS WERE UNDERTAKEN BY JAPAN TO RESTRAIN EXPORTS OF ELECTRONIC PRODUCTS. LIMITED OFFICIAL USE

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ELECTRONIC PRODUCTS WERE NOT DISCUSSED IN THE EC-JAPAN TALKS AND KAKU DOES NOT EXPECT THEM TO BE DISCUSSED IN FUTURE TALKS WITH THE EC. HE COULD NOT PROVIDE INFORMATION ON INTER-INDUSTRY TALKS.

7. KAKU ADMITTED THAT AUTOS ARE MENTIONED IN THE YOSHINO LETTER, BUT SAID THAT THIS REFERENCE PERTAINS TO PREVIOUSLY EXPRESSED UK CONCERN THAT AUTO EXPORTS TO UK BE ON AN

ORDERLY BASIS. HE ADDED THAT GOJ BELIEVES IT IS MEETING THIS CONCERN. 1976 EXPORTS OF AUTOS TO UK ARE ESTIMATED AT CLOSE TO SAME LEVEL OF 1975. KAKU SAID GOJ HAS MADE NO "PROJECTIONS" OF 1977 AUTO EXPORTS TO UK, BUT THAT SUCH A FORECAST WOULD BE MADE SOON. INTER-INDUSTRY DISCUSSIONS EXPECTED SHORTLY.

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8. WOLFF SAID THAT U.S. IS CONSIDERING A MULTILATERAL DISCUSSION OF TRADE MEASURES CONTEMPLATED IN JAPAN-EC TALKS AND BELIEVES OECD MEETING IN JANUARY MIGHT BE USEFUL. KAKU REPLIED THAT JAPAN WAS ALWAYS PREPARED TO DISCUSS TRADE MATTERS MULTILATERALLY AND WOULD FOLLOW CUSTOMARY OECD PROCEDURES IN U.S. REQUESTED MULTILATERAL DISCUSSION. HE ASKED THAT U.S. CONSULT BILATERALLY WITH GOJ IN ADVANCE OF ANY SUCH MEETING. KAYA IN LUNCH DISCUSSION LATER QUESTIONED UTILITY OF OECD TALKS.

9. WOLFF THEN TRIED TO OBTAIN SOME INDICATION THAT JAPANESE WOULD BE WILLING TO DISCUSS ASPECTS OF THE EC-JAPAN TALKS ADDITIONAL TO STEEL IF MULTILATERAL

DISCUSSIONS WERE HELD. IN REPLY, KAKU REPEATED JAPANESE CONTENTION THAT GOJ REPLY TO EC (YOSHINO LETTER) WOULD NOT HAVE INJURIOUS EFFECT AND THAT, WHILE JAPAN SAW LITTLE NEED FOR BILATERAL CONSULTATIONS ON THIS QUESTION, IT REMAINED PREPARED TO DISCUSS THE SUBJECT BILATERALLY OR IN MULTILATERAL FORUM IF REQUESTED.

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10. SAITO (DIRECTOR, SECOND NORTH AMERICA DIV, MFA) SUMMED UP DISCUSSION BY NOTING JAPANESE AWARENESS OF U.S. CONCERNS, SAYING THAT GOJ HAD TRIED TO TAKE THESE CONCERNS INTO ACCOUNT IN FRAMING ITS REPLY TO THE EC AND THAT U.S. SHOULD NOT LOOK SUSPICIOUSLY ON YOSHINO LETTER. HE SAID THAT GOJ WOULD ATTEMPT TO KEEP U.S. INFORMED OF FUTURE EC-JAPAN TRADE DISCUSSIONS.

11. SUMMARY OF TEXT OF U.S. OPENING STATEMENT ON THIS ISSUE FOLLOWS: THE ACTIONS OF YOUR GOVERNMENT OR THE CONDUCT OF YOUR INDUSTRIES DO NOT REQUIRE USG APPROVAL, NOR DO WE SEEK TO INTERPOSE OURSELVES IN YOUR DECISION-MAKING, CERTAINLY NOT TO SEEK THE RIGHT TO DIRECT YOUR CONTACTS WITH OTHER TRADING COUNTRIES. WHEN WE SOUGHT THESE DISCUSSIONS, IT WAS FOR THE PURPOSE OF GAINING INFORMATION AND DISCUSSING OUR CONCERNS. OUR ONLY REQUESTS OF YOU NOW ARE THOSE WE HAVE MADE EARLIER, WHICH NEED NO REPETITION.

WE WISH TO PROTECT UNITED STATES TRADING INTERESTS IN TWO RESPECTS: IN THE SHORT TERM WHERE OUR IMMEDIATE TRADE INTERESTS ARE INVOLVED AND IN THE LONGER TERM, WHERE WE SEEK TO PRESERVE AN OPEN TRADING SYSTEM. I BELIEVE THAT BOTH OF THESE INTERESTS ARE THREATENED. WITH RESPECT TO THE IMMEDIATE IMPACT OF THE TRADE MEASURES TAKEN, ENCOURAGED OR TOLERATED (AND IN OUR VIEW THE DIRECT IMPOSITION OF TRADE MEASURES IS INDISTINGUISHABLE FROM THE SAME EFFECT PROCURED BY MORE SUBTLE MEANS) OUR IMMEDIATE CONCERN IS TRADE DIVERSION OF A SORT WHERE THE HARM TO OUR OWN PRODUCERS OUTWEIGHS THE BENEFITS TO OUR CONSUMERS. TO AVOID ANY MISUNDERSTANDING, LET ME STATE UNEQUIVOCALLY THAT WE SEEK NO EXPORT RESTRAINT PROGRAM BY YOUR INDUSTRY OR ONE IMPOSED THROUGH GOVERNMENT MEASURES. A REQUEST FOR SUCH ACTION IS NOT PART OF THE INSTRUCTIONS OF THIS DELEGATION. OUR PURPOSE IS FACT-FINDING AND EXCHANGE OF INFORMATION. WHERE IT BECOMES CLEAR THAT UNFAIR OR OTHERWISE INJURIOUS PRACTICES EXIST, I FEEL SURE THAT THESE WILL BE REMEDIED IN THE COMING MONTHS. OF CONCERN, HOWEVER, IS THE POSSIBILITY OF OVERREACTION. THERE ARE SIGNS OF THIS IN EUROPE, AND I DON'T WISH TO SEE THIS SPREAD TO THE UNITED STATES. AT THESE TIMES, THE NEED FOR SENSITIVITY TO EACH OTHERS' CONCERNS IS HEIGHTENED.

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RESTRAINT PROGRAMS WITH OTHERS THAT APPEAR TO CAUSE HARMFUL
DIVERSION, DUMPING, PREDATORY PRICING AND SALES BELOW COST
WHERE THEY OCCUR COULD BRING A SHARP U.S. PUBLIC REACTION,
AND, MUCH MORE SERIOUSLY, COULD ALTER THE DIRECTION OF CURRENT
U.S. TRADE POLICIES.

THE LONGER TERM CONCERN THAT I MENTIONED IS THAT WE RISK
LETTING DAILY EVENTS AND A PRAGMATIC APPROACH TO INDIVIDUAL
PROBLEMS SHAPE THE FUTURE OF OUR TRADING RELATIONS AND THE
RULES UNDER WHICH THEY ARE CONDUCTED. WE VIEW THE CURRENT
SERIES OF MEASURES AS BEING POTENTIALLY INJURIOUS TO THE
TRADING SYSTEM, TAKEN WITHOUT FIXED LIMITS, WITHOUT
INTERNATIONAL REVIEW, AND IN AN APPARENT DISREGARD OF THE
SPECIFIC INTERESTS OF OTHERS OR OF OUR COMMON LONGER TERM
INTERESTS. END TEXT.

HODGSON

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